

**Detroit Regional Chamber
Michigan Chamber of Commerce
Michigan Grocers Association
Michigan Restaurant Association
National Federation of Independent Business
Small Business Association of Michigan**

MEMORANDUM

To: Members of the Michigan Employment Relations, Training and Safety Committee

From: Sarah Hubbard, Wendy Hofmeyer, Linda Gobler, Andy Deloney, Charlie Owens, Ann Parker

Subject: SUTA Dumping Legislation – SBs 171-174

Date: March 8, 2005

The purpose of this memorandum is to urge you to support the State Unemployment Tax Act (SUTA) Dumping legislation (Senate Bills 171-174) as reported by the Senate in a bipartisan fashion.

SUTA Dumping is a new term for an old activity that some employers and financial advisors have used to manipulate state experience rating systems so that these employers pay lower unemployment insurance tax rates than their unemployment experience would otherwise allow. Federal law (P.L. 108-295) requires states to amend their unemployment laws by January 1, 2006 to conform with the minimum federal standard for curbing SUTA Dumping. Senate Bills 171-174 would put Michigan in full compliance with federal law and curb SUTA Dumping. The bills treat law abiding employers fairly, while appropriately penalizing those involved in SUTA Dumping.

We are opposed to amendments that would require employers—including Professional Employer Organizations (PEOs)--to submit registration and discontinuance reports in order to track SUTA Dumping. We oppose any amendments to this end for several reasons: (1) The burden of proof should remain with the Unemployment Insurance Agency to prove that SUTA Dumping is taking place as opposed to creating a new reporting burden on employers to prove they are not dumping; (2) Any reporting requirement exceeds federal requirements; (3) The Unemployment Insurance Agency has not demonstrated that they can keep up with the reporting requirements found under current law; (4) Initial research shows that no other state considering SUTA Dumping legislation includes a reporting requirement; and (5) Reporting requirements drive up the cost and burden of doing business in the state of Michigan.

The Detroit Regional Chamber, Michigan Chamber of Commerce, Michigan Grocers Association, Michigan Restaurant Association, National Federation of Independent Business, and Small Business Association of Michigan ask you to support SBs 171-174 as passed by the Senate. If you have any questions, please feel free to contact any of us.